

NOS. 22489 and 22489A

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

FRIEND AND COMPANY, a corporation,
and WILBER H. FRIEND,

Defendants-Appellants,

vs.

H. A. FRIEND AND COMPANY, INC.,

Plaintiff-Appellee.

REPLY BRIEF ON BEHALF OF APPELLANTS
FRIEND AND COMPANY AND
WILBER H. FRIEND

APPEAL FROM
THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

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ANGUS & MON
D. GORDON ANGUS
ROBERT M. ANGUS

234 East Colorado Boulevard
Pasadena, California 91101

MU 1-5494

Attorneys for Defendants-Appellants

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234 East Colorado Boulevard
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Attorneys for Defendants-Appellants

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I

COMBINED BRIEF AND REPLY BRIEF OF
APPELLANTS AND CROSS-APPELLEES,
WILBER H. FRIEND AND FRIEND AND
COMPANY ON CROSS-APPEAL AND IN
REPLY TO BRIEF OF H. A. FRIEND AND
COMPANY, INC.

The arguments in the brief of H. A. Friend and Company, Inc., herein generally referred to as plaintiff, in support of the award of attorney's fees and damages and for defendants' profits sought by the cross-appeal, are herein considered together as they constitute the total argument for monetary compensation in behalf of plaintiff.

II

THERE IS ERROR IN PLAINTIFF'S ARGUMENT IN SUPPORT OF AWARD OF ATTORNEY'S FEES.

Factors in the present cases pertinent to the matter of attorney's fees are: The first case, No. 22489 was brought for trademark infringement and unfair competition, and jurisdiction was invoked under the Lanham Act. The second case, No. 22489A was brought for false representations, and jurisdiction was also invoked under the Lanham Act. The district court's Memorandum of Decision made the following finding:

"The record shows beyond a doubt that the hereinabove discussed acts of trademark infringement on the part of the defendants resulted in damages to the plaintiff."

(Ct. 477) (Underscore by counsel).

The "trademark violations" in the court's Memorandum commencing at Ct. 470 covered the trademarks "Friend's", "Banner", and "Barrister Bond". Under basic trademark law the defendants' use of the trade names Friend Paper Company, and Friend and Company, would be infringements of the trademark "Friend's" if there were no effective defenses.

The argument in pages 54-61 of plaintiff's brief in support of the district court's award of \$30,000 attorney's fees misconstrues the decision of this Court in Maier Brewing Co. v. Fleischmann Distilling Corp., 359 F.2d 156, affirmed by the U.S. Supreme Court in Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714, 18 L.Ed.2d 475, 87 S.Ct. 1404. At page 54 plaintiff's

brief in referring to National Van Lines, Inc. v. Dean, 237 F. 2d 688 implies that the district court in the present cases awarded the \$30,000 attorney's fees "for deliberate acts of unfair competition at common law". More precisely, the award was "for attorney's fees reasonably incurred in prosecuting these actions - \$30,000" (Ct. 481). Since the present actions were prosecuted under the Lanham Act, it follows that the \$30,000 attorney's fees was for prosecuting Lanham Act causes of action.

Plaintiff's brief at p. 54 states: "National Van Lines expressly ruled that it was unnecessary to decide issues of trademark infringement under the Lanham Act." But what actually was decided in that case, in which three theories were pleaded, namely, unfair competition, trademark infringement, and unjust enrichment, was that it was unnecessary to do more than rest the decision on the unfair competition theory alone.

In the present case the entire judgment of the district court was under the Lanham Act, namely the injunction against infringement of the trademarks "Friend's", "Barrister Bond" and "Banner", the \$5,000 damage judgment for the trademark infringement trebled under 15 U.S.C. 1117, and the injunction and \$20,000 damage judgment for misrepresentations under 15 U.S.C. 1125(a). The district court's Memorandum stated (Ct. 474):

"The plaintiff has contended in its pleadings and at the trial that such false description by the defendants of their goods has made them liable to the plaintiff pursuant to 15 USC 1125(a).

"This Court agrees with the plaintiff"

The district court made the finding (Ct. 477) "as hereinabove noted, the misrepresentations that the defendants have made in violation of 15 USC 1125(a) have resulted and will result in substantial injury to the plaintiff," and awarded the \$20,000 damages on this account. This code section is part of the Lanham Act.

Since every issue decided in the district court was under the Lanham Act, it cannot be considered that the award of \$30,000 attorney's fees was not related to the Lanham Act.

Plaintiff's brief argues in support of all the awards and benefits received from the district court judgment and in support of its cross appeal to obtain defendants' profits and to enjoin all use of Friend, all under the Lanham Act; but for the purpose of attempting to retain also the \$30,000 attorney's fees awarded to it contrary to the Lanham Act, it argues in effect that this is a state law matter of unfair competition having nothing to do with the Lanham Act.

Plaintiff's reference (brief pp. 54 and 55) to this Court's decision in Maier Brewing Co. v. Fleischmann Distilling Corp., 359 F.2d 156, misstates the situation in that case in characterizing it as "a purely statutory trademark infringement action". It actually was for trademark infringement and unfair competition. Plaintiff's brief further misstates the situation in that Maier Brewing case in the parenthetical statement on page 55 reading, "the unfair competition issues having been excised as a result of an earlier appeal in the same case, 314 F.2d 149, 136 USPQ 508". A reading of these two Maier Brewing cases does not indicate an excising of any unfair

competition issue.

It appears clear that this Court considered that the unfair competition count in those Maier Brewing cases was based on the same acts as the trademark infringement count and that everything in the case was under the Lanham Act whether denominated trademark infringement or unfair competition. The coupling of a count for unfair competition in addition to a count for trademark infringement does not remove the case from the auspices of the Lanham Act, and this is especially so in view of the specific provisions of §§ 44g and 44h of the Lanham Act (15 U.S.C. 1126(g) and 1126(h)), copied in Appendix "A" hereof, covering trade names and unfair competition.

If there could be any doubt about this, it must be removed by the decision of this Court in Maier Brewing Co. v. Fleischmann Distilling Corp., 359 F.2d 156, wherein this Court discussed its earlier decisions in National Van Lines v. Dean, 237 F.2d 688, and Wolfe v. National Lead Co., 272 F.2d 867, in both of which it had permitted the award of attorney's fees. In the Wolfe case the complaint was for trademark infringement and unfair competition, just as in the present case, and in respect to the allowance of attorney's fees, this Court said (359 F.2d 156, 165):

"We overrule Wolfe, to that extent, and limit National Van Lines to its actual holding, as to the correctness of which we express no opinion."

The difference between the Wolfe and the National Van Lines cases was that in Wolfe, both the trademark infringement and the unfair

competition causes were decided, whereas in National Van Lines this Court had based its decision only on the unfair competition claim.

Even though this Court declined to go so far as to overrule National Van Lines, it expressed doubt as to its validity, not only because of the above quotation but also in its statement reading (359 F.2d 156, 157):

"Insofar as these cases can be said to relate to an award of attorney's fees in an action for trademark infringement under the Lanham Act, (15 U.S.C. § § 1051 ff) they, or at least Wolfe, should be overruled."

Even if the unfair competition cause in the present cases comes within the purview of California state law as well as the Lanham Act, it is submitted that this does not help the plaintiff to obtain an award of attorney's fees, for two reasons: (1) it appears clear from the decision of this Court in Maier Brewing Co. v. Fleischmann, 359 F.2d 156 and of the Supreme Court affirming it, that if the cause is within the Lanham Act it does not matter whether it also is within the purview of state law; and (2) California state law does not award any attorney's fees in cases of unfair competition or trademark infringement.

The Lanham Act has pre-empted and governs all matters within it regardless of state law. It is true that all statutory trademarks and their registrations have their genesis in common law, which is state law, and that in order to be entitled to a Lanham Act trademark registration the registrant must have acquired his

trademark in the well-known common law manner, that is, by being the first to adopt it and use it on his products.

It is well established under California law that attorney's fees are never awarded unless a statute specifically provides for it, and California has not enacted any statute allowing attorney's fees in such cases. This Court has recognized that in its statement in Maier Brewing Co. v. Fleischmann Distilling Corp., 359 F.2d 156, wherein this Court stated (at page 158):

"We start with the long established principle that a successful party can not, in an ordinary action at law or in equity, recover his attorney's fees incurred in the action, unless such recovery is provided for by statute or contract. It makes no difference whether such a recovery be denominated costs or damages or something else. This has long been the rule in the federal courts, and in the courts in California. . . ."

Thus, the present cases were tried, and judgment awarded, entirely under the Lanham Act, notwithstanding that a cause of action was stated for unfair competition. It would be incongruous if the judgments of this Court and the Supreme Court could be evaded by the simple expedient of joining an unfair competition count with a trademark infringement count, as is done in practically all trademark cases.

Plaintiff's brief (p. 57) emphasizes Red Devil Tools v. Tip Top Brush Co., Inc., 50 N.J. 563, 236 A.2d 861 (1967). That case is not pertinent as it was not a Lanham Act case, and only involved

New Jersey law, the court stating that under New Jersey law, attorney's fees are properly awardable.

III

THE ISSUE AS TO THE DISTRICT COURT'S AWARD OF DAMAGES.

In its brief pp. 48 and 49, plaintiff argues justification for the \$5,000 trebled award of damages for the trademark infringement and the \$20,000 damage award for the misrepresentations, citing Universal Pictures Co. v. Harold Lloyd Corporation, 162 F.2d 354 (9 Cir. 1947), quoting from Story Parchment Co. v. Patterson Parchment Paper Co., 282 U.S. 555, 562, 563, 51 S. Ct. 248, 250, 75 L.Ed. 544, and Eastman Kodak Co. v. Southern Photo Materials Co., 273 U.S. 359, at 378.

It is submitted that these cases actually support the defendants' contention (pp. 75 to 79 of defendant's opening brief) that there is no basis in the record for any of the damage award. While the Supreme Court in the Story Parchment Co. case did not preclude recovery of damages which are uncertain in respect to their amount, it did make the statement: "In such case, while the damages may not be determined by mere speculation or guess, it would be enough if the evidence shows the extent of the damages as a matter of just and reasonable inference, although the result be only approximate." It is the defendants' position that there is no evidence in the case showing the extent of the damages even to an approximation.

In the Eastman Kodak Co. case, the Supreme Court made a

similar statement, namely: "It is sufficient if a reasonable basis of computation is afforded, although the result be only approximate." It is defendants' contention that there is no reasonable basis in the case for any computation of the district court, and neither the district court Memorandum nor plaintiff's argument in its brief indicates what such basis of computation could be.

The greatest possible amount of diversion of the plaintiff's customers which could have gone to defendants would be the 184 customers which plaintiff's ledger sheets (Exh. AJ) show are all the customers it ever had in all of the far western states including even all of Texas where defendant has never operated except in the West Texas area encompassing Amarillo, El Paso and Lubbock. These are the ledger sheets referred to in p. 49 of plaintiff's brief. The "correspondence relating to orders of customers" referred to in the same sentence in brief p. 49 is not identified nor recognized by defendants excepting the deposition exhibits. In answer to an interrogatory, plaintiff stated it had only 183 customers in the far western states including all of Texas (Ct. 64). Plaintiff has never contended that defendants obtained all of the 183 or 184 customers, nor even a major part of them. Plaintiff took over 30 depositions (plaintiff's brief pp. 21-22) which apparently were about all of its former customers thought to have given business to defendants. Only about 16 of these customers indicated they were confused between plaintiff and defendant, namely Hughes & Jeffers (Hughes dep. Exh. 235, Pinkston dep. Exh. 236); Arthur M. Newton (Newton dep. Exh. 237); Davis & Eppstein (Warmington dep. Exh.

240, Davis dep. Exh. 248); J. H. Jahnke (Jahnke dep. Exh. 244); James Gregg (Gregg dep. Exh. 245); Harold Whitney (Whitney dep. Exh. 246); Albert Gurtler (Gurtler dep. Exh. 247); John Augustine (Augustine dep. Exh. 249); Modrall, Seymour Sperling, Roehl & Harris (Leder Dep. Exh. 250); Dale Walker (Rt. 247, Walker dep. Exh. 252); Lewis Sutin (Sutin dep. Exh. 253); Albert Ussery (Ussery dep. Exh. 254); Evelyn Howard (Ct. 391, Exh. 263); J. N. Cunningham (Ct. 387, Exh. 264); William Fowler (Ct. 424, Exh. 267); James Wilson (Ct. 429, Exh. 268). Only two of these customers indicated that they shifted to defendants because of confusion, namely J. H. Jahnke (Exh. 244) and Davis and Eppstein (Exh. 240). Regardless of the existence of any confusion between the two companies, several customers testified that they would have switched anyway due to the personal service provided by defendant Wilber H. Friend in assisting the customer as to the customer's needs. These customers include Albert Gurtler (Gurtler dep. Exh. 247, p. 5, lines 12, 13) and a Norman Herring whose deposition was not introduced into evidence. Other deponents did not indicate they were confused, namely J. W. Kindall (Kindall dep. Exh. 238); Benita Olson (Olson dep. Exh. 239); Ernest Meyer (Meyer dep. Exh. 242); Margret Wiseman (Wiseman dep. Exh. 243); Richard Krannawitter (Krannawitter dep. Exh. 251); Edward Halsey (Ct. 375-378, Exh. 261); F. E. Braucht (Ct. 379-383, Exh. 262); Judge Charles Roick (Ct. 411-413, Exh. 265) and James Wilson (Ct. 428-432, 441-445, Exh. 268).

Regardless of how many customers indicated confusion, the

only evidence of confusion was between Friend and Company and H. A. Friend and Company, and there is no evidence that anyone was confused by the trademarks "Friend's", "Banner" and "Barrister Bond". In 1963, defendants offered (Exh. AK, letter of Nov. 7, 1963) to settle the entire controversy by changing the name of the retail business either to "Friend Paper Company" or to "W. H. Friend & Company"; by using for a specified period of time "No connection with H. A. Friend and Company of Zion, Illinois" in sales literature; and by deleting the "Western Division" from the trade name. Plaintiff's other demands however were not possible to meet, hence there was no settlement. The parts of defendants' catalogs, objected to herein were not included in the offer but only because they had not yet been revealed by the discovery proceedings. It is believed that plaintiff is not even entitled to as much as defendants offered.

Neither the district court nor plaintiff's brief gives any indication as to how diverted sales, which the district court characterized as small (Ct. 477), caused as much as \$5,000 in lost profits to plaintiff and there is no evidence as to how much any diverted customers bought from defendants or when they bought it.

The only kind of evidence in the case which the district court could have used as a basis for finding or estimating actual damage would be the approximately 30 depositions on confusion taken by plaintiff, and from these determine which deponents had given business to defendant because of confusion, and then estimate the dollar amount of all such confused sales from some given date, presumably the filing date of the suit when defendant was put on

notice of plaintiff's trademarks, and then estimate the amount of profit lost to the plaintiff. There is no evidence in the case of any of these factors insofar as defendants are aware, excepting the two customers diverted because of confusion. There is no evidence as to whether these deponents represent the only ones who gave business to defendants because of confusion. But since plaintiff had no need for taking all these depositions merely to show likelihood of confusion, it may be inferred that plaintiff uncovered substantially all customers which could have been considered diverted by confusion.

Considering that plaintiff's far west state sales for the years from 1942 well into the 1950's was about \$1,000 per year, (Chart Appendix "I", opening brief, and plaintiff's tabulation of sales, Appendix "C" of this brief), it follows that total profits for all customers of plaintiff in the far western states averaged about \$50 per year, assuming a 5% profit on sales. Since defendants could have diverted only a small proportion of the total of the 184 customers of plaintiff in the far western states, it is very likely that the diversionary effect of defendants' activities was less than about \$10 or \$15 per year insofar as lost profits are concerned.

The \$20,000 damages for the misrepresentations would likewise have to be based on diversion of business from the plaintiff in order to have a proper basis, and therefore would involve a duplication of the \$5,000 damages awarded for the trademark infringement. Danger of duplication is recognized and condemned in Maier Brewing Co. v. Fleischmann, 359 F.2d 156, 159, by this Court in the following words, which though specifically stated in respect to attorney's

fees, are applicable to all duplications:

"If attorney's fees can be awarded in addition to the award permitted by section 1117, there is grave danger of duplication of damages, as a practical matter. (Cf. Day v. Woodworth, 1851, 54 U.S. [13 How.] 363, 372)."

Whatever damage plaintiff has suffered from misrepresentation, if any, could only be due to confusion arising from trademark infringement and must be included in the damage award for trademark infringement.

In footnote 12 of its brief, p. 31, plaintiff asserts that the records of Gilbert Paper Company, Exh. 19 and 20 through 29m of the Schmerein deposition Exh. BK, show that for the period between 1955 and 1966 Wilber Friend purchased over 600,000 pounds of paper watermarked "Friend's Title Linen", 98% of which was 25% cotton fiber grade, which Wilber Friend allegedly sold as 50% cotton fiber paper and saved over \$60,000. This statement is not true for at least five reasons: (1) nowhere in the record of this case is there any evidence that Wilber Friend purchased over 600,000 pounds of paper watermarked "Friend's Title Linen"; (2) the exhibits of the Schmerein deposition referred to by plaintiff in calculating the 600,000 pound figure include invoices, purchase orders, and sales records of sales, so there is a probability of counting a particular shipment two or three times into the computation; (3) the 600,000 lb. figure includes "Friend's Linen" paper sold to plaintiff H. A. Friend and Company during the same period and not sold or used by defendant; (4) the record does not show that all paper watermarked

"Friend's Title Linen" was advertised as being 50% cotton fiber paper, but instead shows that "Friend's Title Linen" typing paper was advertised without reference to cotton fiber content and that only engraved letterhead paper was advertised as 50% cotton fiber content; and (5) rather than deriving a profit by using 25% paper for envelopes instead of 50% paper, the record shows that defendant passed the savings on to the customer so that defendant obtained actually no monetary benefit whatsoever.

IV

PLAINTIFF'S ARGUMENT THAT IT SHOULD BE AWARDED ALL OF DEFENDANTS' PROFITS.

The law in this circuit in cases of deliberate infringement where a plaintiff has not lost substantial business or profits, is as expressed in this Court's decision in National Van Lines v. Dean, wherein this Court said (237 F.2d 688, 694):

"A careful examination of the record fails to reveal any specific evidence to the effect that appellant has lost substantial business and profits as a result of appellee's unfair competition While some loss of business undoubtedly has occurred, it would not under the circumstances, be fairly measured by appellee's profits, nor be revealed by an accounting."

Thus, at that time at least, the monetary amount to be awarded appears to be the plaintiff's damages which could be measured by

defendant's profits under appropriate circumstances, which however did not exist in the National Van Lines case, and this Court made it clear that if defendant's profits were ever used as a measure of damages, they would be limited to those related to defendant's damage, that is, diversion of sales.

It is submitted that the present case is similar to the National Van Lines case in that while plaintiff has lost some business to defendants, the loss has not been great. This is confirmed by the findings of the district court which held that the sales lost by plaintiff were small in amount and not readily susceptible of ascertainment by an accounting. The question of an accounting being discretionary, the court's decision about it should not be set aside in the absence of abuse of discretion.

The chart which is Appendix I of defendant-appellants' opening brief, shows that defendants' entry into the retail business in the western states in 1950 had no ascertainable effect on the plaintiff's business in the western states. Since the amount of plaintiff's business in the western states has been so small from the very start of it as not to be easily readable on the chart, the tabulation furnished by the plaintiff (Ct. 62 and 63) is provided in Appendix "C" of the present brief. Moreover, the plaintiff's western state sales figure include all of Texas, most of which the defendant does not sell. The state-by-state tabulation of plaintiff's customer accounts in the western states furnished by plaintiff (Ct. 64) and the tabulation of total sales furnished by plaintiff (Ct. 61, 62 and 325) are also included in Appendix "A" hereof. Inspection of the chart

and these tabulations furnished by plaintiff shows the absence of perceptible damage. Thus, in Crupe v. Click, 26 Cal.2d 680, 692-693 (1945), it is stated, "where the operation of an established business is prevented or interrupted, as by a tort or breach of contract or warranty, damages for the loss of prospective profits that otherwise might have been made from its operation are generally recoverable for the reason that their occurrence and extent may be ascertained with reasonable certainty from the past volume of business and other provable data relevant to the probable future sales. [Citations]."

Defendants submit that even if all the defenses set forth in defendants' opening brief are rejected, under the circumstances of the present case the award should be limited to an injunction for the same reasons as in the National Van Lines case wherein this Court stated (237 F.2d 688, 694):

"While some loss of business undoubtedly has occurred, it would not, under the circumstances, be fairly measured by appellee's profits, nor be revealed by an accounting. In our view, the injunction to be entered will satisfy the substantial equities of the case. See Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 91 L.Ed. 1386, 67 S. Ct. 1136, 73 USPQ 133."

This Court's decision in the recent case of Maier Brewing Co. v. Fleischmann, 390 F.2d 117, 157 USPQ 76, does not require any different basis of award in a case such as this than that in National Van Lines, although it may have expanded the possibilities

in cases where there is no competition between the parties.

In the recent Maier Brewing case, 390 F.2d 117, this Court stated (at page 120):

"The equitable limitation upon the granting of monetary awards under the Lanham Act, 15 USC §§ 1117, would seem to make it clear that such a remedy [accounting] should not be granted as a matter of right."

In its brief pp. 62-64, plaintiff argues that it should not only have all the damages which have been awarded by the district court, but also all of defendants' profits which plaintiff asserts "could reach several hundred thousand dollars", and it appears to base these contentions on the recent decision of this Court in Maier Brewing Co. v. Fleischmann, 390 F.2d 117. Neither this latest Maier Brewing case, nor any other case known to defendants holds that a plaintiff should be awarded both the plaintiff's damages and the defendants' profits, and there is no known case holding what the plaintiff is demanding herein, namely to have compensatory damages, trebled under the Lanham Act for trademark violations, and also damages for misrepresentations of the defendants' products arising from the same sales and business activity on which the compensatory damages were based, and also attorney's fees, and also all the defendants' profits. This is visionary pie-in-the-sky, utterly inconsistent with the insignificant amount of plaintiff's business and number of customers in the far west, and sales diverted to defendant.

The court's opinion discussed possibilities in cases where

an accounting is appropriate, and it indicated two alternate possibilities where there could, under appropriate equitable circumstances, be an accounting of the defendant's profits, namely, (1) where there is direct competition between the parties, and (2) where there is no direct competition between the parties. In respect to the first alternative, this Court said (390 F.2d 117, 123):

"In the case where there is direct competition between the parties, this can be accomplished by an accounting of profits based on the rationale of a returning of diverted profits."

The second alternative is stated by this Court in the following words (at page 123):

"In those cases where there is infringement but no direct competition, this can be accomplished by the use of an accounting of profits based on unjust enrichment rationale."

It is apparent that if an accounting of defendants' profits were equitable or appropriate at all in the present case, such accounting would only occur under the first alternative, namely, direct competition, and not under the second alternative where there is no direct competition. The finding of the district court is that there has been competition between the parties, and the plaintiff has maintained at the trial and argued in its brief that there is competition between the parties in the western states. Accordingly, such an accounting only would be "based on the rationale of a returning of diverted profits".

In reference to the permissible limits of such an accounting

of profits, this Court stated (390 F.2d 117, 124):

"The plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of his marks."

and also (at page 124):

"If it can be shown that the infringement had no relation to profits made by the defendant, that some purchasers bought goods bearing the infringing mark because of the defendants' recommendation or his reputation or for any reason other than a response to the diffused appeal of the plaintiff's symbol, the burden of showing this is upon the poacher."

There is ample evidence in the present case that defendants' sales were due mainly to the personal sales efforts of the defendant himself in traveling through office buildings in large cities in the far-west states and making personal calls (Rt. 49, 59, 74). Plaintiff's business likewise resulted principally from salesman (Rt. 343-344). The plaintiff never had any salesman in the far western states (Richard Friend dep. Exh. BI, p. 6, lines 2-4). Plaintiff found as early as 1949 that mere mailings to the far west states produced no noticeable business (chart of sales, Appendix I). Practically all of plaintiff's business is in the midwest states where it has salesmen who make calls (Richard Friend dep. Exh. BI, p. 5, line 14 - p. 6, line 9) and practically none of it has been in the far west states where it had no salesmen.

It is obvious that there was no mark or name of plaintiff

which may be called a "plaintiff's symbol" to which there could be any appreciable "diffused appeal" in the far west states where there were practically no law offices having any knowledge of the plaintiff. Hence no consideration should be given to awarding profits on the basis of non-competition or on account of any "diffused appeal".

Plaintiff's demands are compounded by its additional demand (p. 63 of its brief) for "the defendants' savings on paper costs", these "savings" presumably being the amounts by which the costs of 25% cotton paper or 50% cotton paper is less than a higher cotton percentage paper. However, plaintiff's brief also states (footnote 12, p. 31) that defendants' prices were lower than plaintiff's prices, and furthermore defendant himself has testified that his prices were based on costs (Rt. 185). Hence, defendant has made no savings on paper costs which are not included in what plaintiff is demanding as defendants' profits.

A pertinent question to consider is: Can all stationers also have defendant's profits for misrepresentations?

V

THE PLAINTIFF'S ARGUMENT CONCERNING 15 U.S.C. 1125(a) AND CALIFORNIA LAW OF UNFAIR COMPETITION.

In pp. 45-47 of plaintiff's brief plaintiff argues that 15 U.S.C. 1125(a) applies to misrepresentations even though their nature is such that they have no effect in passing off defendants' goods as those of the plaintiff, and plaintiff's brief downgrades the force of

this Court's decision in Chamberlain v. Columbia Pictures, 186 F.2d 923 (discussed in defendants' opening brief pp. 72-74), which applied this passing off limitation to 15 U.S.C. 1125(a). It is submitted however that plaintiff's arguments do not detract from the force of the Chamberlain decision as set forth in pp. 72-75 of defendants' opening brief, beyond pointing out that some other circuits do not agree with it. The background of the law leading up to the Chamberlain decision supports it.

Plaintiff's brief lays great stress on what it calls the cheating by defendant of its customers through the alleged misrepresentations of cotton fiber content. It is submitted that there is no reason why plaintiff should collect damages on a theory that defendants' customers have been cheated. The only theory on which plaintiff should collect damages, if at all, is on account of trademark infringement found by the district court. But the fact that the district court has found trademark infringement, an injury to plaintiff, should not give plaintiff the right to duplicate damages on a theory that defendant has cheated its customers in the same operations in which there was the trademark infringement.

The courts have consistently held that cheating of one's customer does not give a competitor a cause of action even though the customers may have a cause of action.

A leading case is American Washboard Co. v. Saginaw Mfg. Co., 103 Fed. 281 (6 Cir. 1900) wherein the sole manufacturer of aluminum washboards sought to enjoin the false representation that a competing sinkboard was made of aluminum. The court made the

following pertinent statement (103 Fed. 281, 285):

"It is true that in these cases it is an important factor that the public are deceived, but it is only where this deception induces the public to buy the goods as those of complainant that a private right of action arises."

In the present case there is no evidence whatever that the defendants' catalog statements concerning its cotton fiber contents played any part in inducing the public to believe it was purchasing plaintiff's goods rather than defendants' goods.

In the present case the plaintiff is in a far weaker position than in the American Washboard case insofar as diverting sales from the plaintiff through misrepresentation of goods is concerned. In the American Washboard case, the plaintiff was the sole source of aluminum washboards and from that it may be readily inferred that sales made by the defendant would have gone to the plaintiff but for the misrepresentations. In the present case, on the other hand, the plaintiff has made only a small fraction of a percent of all the sales of stationery to law firms in the far west states.

In Mosler Safe Co. v. Ely-Norris Safe Co., 273 U.S. 132, 71 L.Ed. 578, revs'g 7 F.2d 603 (2 Cir. 1925) cited in p. 47 of plaintiff's brief, the Supreme Court made the following pertinent statement (273 U.S. 132, 134):

"If, on the other hand, the representation was false as it is alleged sometimes to have been, there is nothing to show that customers had they known the facts would have gone to the plaintiff rather than to other competitors

in the market, or to lay a foundation for the claim for a loss of sales. . . ."

Also California Apparel Creators v. Wiedner of California, 162 F. 2d 893 (2 Cir. 1947) quoted in part in Appendix "B".

Plaintiff's brief at page 44 seeks benefits under California Civil Code § 3369 although the district court did not award any relief under this Civil Code section or any other California law, and plaintiff did not take any appeal nor assign any error in respect to it. It is submitted for these reasons alone plaintiff is not now entitled to extend its awards thereunder. It is appropriate to point out however that Civil Code § 3369 has been restricted by the California courts to cover only those misrepresentations which result in passing off, and thus conforms with this Court's decision in the Chamberlain case. International Association of Cleaning and Dye House Works v. Landowitz, 20 Cal. 2d 418 (1942), quoted in part in Appendix "B". Show Management v. Hearst Publishing Co., Inc., 196 Cal. App. 2d 606 (1961), wherein false advertising was involved is quoted in part in Appendix "B".

It is true that in 1963 Civil Code § 3369 was amended as appears in Appendix "A" such that § 3369(3) as written in page 22(a) of plaintiff's brief is no longer strictly correct. The amended § (3) reads as follows:

"3. [Definitions.] As used in this section, unfair competition shall mean and include unlawful, unfair or fraudulent business practice and unfair, untrue or misleading advertising and any act denounced by Business and

Professions Code Sections 17500 to 17535, inclusive."

Business and Professions Code § 17500, quoted in Appendix "A" does not alter the situation as applicable to the present case for the reasons that the additions of § 17500 do not add any materiality to the "unfair or fraudulent business practice and unfair, untrue or misleading advertising" which has been in § 3369 since 1933, insofar as the present case is concerned.

Apart from the above discussion of Civil Code § 3369, it is noted that paragraph 5 of § 3369 provides only for actions for injunction and not for any profits or damage, which is the subject of the plaintiff's argument herein. There is no known statute or rule of law of California which would award any profits or damages for a violation of § 3369.

VI

PLAINTIFF'S DISCUSSION OF LACHES, ACQUIESCENCE AND ESTOPPEL.

On p. 50 of plaintiff's brief, heading XI is worded to the effect that the district court made a finding that "laches, acquiescence and estoppel do not protect defendant". That wording is inaccurate as the district court's finding was limited to the "Absence of Laches" (Ct. 476). The district court made no finding in respect to estoppel or acquiescence excepting the finding that plaintiff had acquiesced in defendants' use of the name Friend Paper Company.

At p. 51 plaintiff's brief supports the findings of the district court to the effect that there is no laches in the present case because

"the present management of plaintiff did not know of defendant's infringement activities until the latter part of 1962". Even assuming that to be true, which defendants do not admit, particularly in view of the visit of Howard Friend to the office of Friend and Company in 1956 (Ct. 57) it is immaterial whether the "present management", that is, of the plaintiff H. A. Friend and Company, Inc., previously had actual knowledge, because the present plaintiff stands in no better position than its predecessor whose assets and liabilities it received. This was the partnership, which included Harley A. Friend, who the district court found did have knowledge of the defendant's name Friend and Company for the retail stationery business, at least as early as April, 1957.

Gillons v. Shell Co. of California, 86 F.2d 600 (9 Cir. 1936) cited in plaintiff's brief, holds that the finding of the trial court in respect to laches will not be set aside unless it is clearly wrong. Defendants submit that it was clearly wrong to hold that this knowledge of Harley A. Friend was not imputed to the then-existing partnership of H. A. Friend and Company, for the reasons stated in p. 69 of defendants' opening brief. 68 C.J.S. 629 (Partnership, § 175). Stork Restaurant Inc. v. Sahati, 166 F.2d 348, 362 (9 Cir. 1948), In re Fineberg, 36 F.2d 392 (WD NY 1929).

Even if Harley A. Friend had been mentally incompetent at the time, that would not have altered the situation for the reason that the acts of the three partners Richard, Howard and William Friend in remaining in partnership with Harley Friend automatically subjects them to liabilities and risks from the acts of Harley Friend,

the same as the acts of any other partner. But there is not even any suggestion in the record that Harley was at all incompetent, but only that he was a cardiac and a diabetic, and had been for many years (plaintiff's brief p. 36). The court can easily take judicial notice of the fact that there are many cardiacs and diabetics in high positions performing important services for their companies, and binding their companies to their acts. A reading of Harley Friend's response (Exh. AG) to the Lycette letter (Exh. AF) shows he was completely rational. Plaintiff's brief refers on p. 52 to Harley being "incapacitated" and only having "partial knowledge". There is no evidence of any incapacity and the Lycette letter showed that he had full knowledge of defendant's trade name Friend and Company and that it was in the retail stationery business selling to law firms.

On p. 53 of its brief plaintiff in quoting from the case of Whitman v. Walt Disney Productions, Inc., 263 F.2d 229, 231 (9 Cir. 1958) (which holds that laches is presumed after 6 years of knowledge), refers to "poor health" as a possible excuse for delay in bringing suit. But in the present case there is no evidence whatever of any of the partners Richard, Howard or William Friend being in poor health. Even if Harley Friend was in poor health, that would not prevent the partnership from bringing suit, and certainly it would not prevent their bringing suit after Harley's death in 1959.

Pertinent correspondence in 1949 and 1956 involving Harley A. Friend and bearing on laches is copied in Appendix "C" hereof.

A. Howard Friend's Visit to Friend and Company in 1956.

In reference to Howard Friend's visit in 1956 to the office of Friend and Company at 55 West Green Street, Pasadena (pp. 23-25 of defendants' brief) when he walked through the only entrance to the establishment from the street, the door of which bore the name "Friend and Company" with the words "wholesale paper" beneath the name, plaintiff's brief argues near the bottom of p. 36 thereof that "defendant never took the testimony of Howard Friend in order to bolster its affirmative defense although defendant took testimony of other witnesses in plaintiff's offices in Zion, Illinois when Howard was present". This last-quoted statement contains an inaccuracy in that defendant never took any testimony of anyone in Zion, Illinois, but merely attended depositions of three witnesses called by plaintiff in plaintiff's offices in Zion, Illinois.

Howard Friend while on that automobile trip in 1956 to California from Illinois, on his own initiative ascertained the address of Friend and Company's business establishment, which must have been either from the telephone book or from business cards or communications which defendant has testified (Rt. 392, 394 and 402) he had left with and maintained occasionally with his Zion relatives. Since it is incredible that Howard did not know the name of the place he was looking for, and entered twice, the burden of carrying forward any further possible evidence on the subject rests with the plaintiff. (Manufacturer's Finance Corp. v. Pacific Wholesale Radio, Inc., 130 Cal. App. 239, 19 P.2d 1013 (1933)).

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Plaintiff's admissions concerning Howard Friend's visit are included in Appendix "C", as are pertinent excerpts from the final argument relating to laches, during which the district Judge held that the plaintiff-brothers were on notice about Friend and Company (Rt. 596-597).

Defendants maintain, of course, that the period of laches running against plaintiff commenced in 1949 for the reasons given in defendants' opening brief pp. 16-21 and 67-71.

B. Defendant's Reliance on Plaintiff's Inactivity.

Plaintiff's brief on p. 54 argues absence of reliance by defendant on anything the plaintiff did or didn't do. However, defendant's testimony (Rt. 438-440) stated his reliance on the lack of objection by his father in 1948 or 1949 after being told of the proposed Friend and Company with that name, and of building up his Pasadena establishment from zero to a substantial amount of assets in such reliance. It is submitted that this matter of reliance goes to the issue of estoppel rather than to laches, as laches can occur simply through the passage of the 15 years since 1949 without bringing suit.

C. The Issue of Ownership of the Trademarks.

Plaintiff's brief, for example at pp. 11-23, places great emphasis on defendant's trade name Friend and Company and the

associating with it of the 1908 business of Friend Bros. and of Friend Paper Company whose post office address was Zion, Illinois. While thus emphasizing trade name violations there is little discussion of the "Friend's", "Barrister" and "Banner" trademark rights. Plaintiff's brief (p. 43) does not squarely meet the question whether plaintiff is the owner of exclusive rights in the trademarks, and it argues rather that the important thing is to win the lawsuit. It is submitted that basic trademark law requires a finding of ownership of the trademarks before a defendant can be enjoined, for reasons stated at pp. 49-66 of defendant's opening brief. "The exclusive right to the use of the mark or device claimed as a trademark is founded on priority of appropriation: that is to say, the claimant of the trademark must have been the first to use or employ the same on like articles of production." Columbia Mill Co. v. Alcorn, 150 U.S. 460, 463, 37 L.Ed. 1144, 14 S. Ct. 151.

In O'Connor & Gordon, Inc. v. By-Line Publications, 138 N.Y.S.2d 104, 107 (1955), the court stated:

"The mere fact that there is at least one magazine using the name 'Quick' in addition to the plaintiffs is sufficient to defeat the plaintiffs in this litigation."

Also, Rolley, Inc. v. Young Husband, 204 F.2d 209, 212 (9 Cir. 1953). Mere use of a mark by a merchant who obtains the product from a manufacturer does not confer ownership on the merchant. Brower v. Bolton, 58 Fed. 888 (CA 2, 1893); Atlas Beverage Co. v. Minneapolis Brewing Co., 113 F.2d 672 (8 Cir. 1940); Omag Optik und Mechanik A.G. v. Weinstein, 85 F. Supp. 631 (S.D. N.Y. (1949)).

Error is implicit in the statement in the district court's Memorandum of Decision which reads:

"Insofar as the parties to this action are concerned, the entire rights in and to such trademarks remain in the plaintiff." (Ct. 471).

It is submitted that a trademark cannot be "owned" against some people while not being "owned" against another.

Plaintiff's brief slights this question of ownership to such an extent that it has not seen fit even to refute the parts of defendants' opening brief in pages 48-65 thereof, covered by the following topical headings:

- III. H. A. FRIEND AND COMPANY DOES NOT OWN ANY OF THE MARKS INVOLVED IN THIS SUIT.
- IV. PLAINTIFF-APPELLEE DOES NOT OWN THE FRIEND'S REGISTRATION NO. 655,848.
- V. H. A. FRIEND AND COMPANY DOES NOT OWN BANNER AS A TRADEMARK.
- VI. BARRISTER BOND IS NOT A VALID TRADEMARK NOR IS IT OWNED BY OR HELD IN TRUST FOR H. A. FRIEND AND COMPANY.
- VII. H. A. FRIEND AND COMPANY DID NOT OBTAIN EVEN A PURPORTED ASSIGNMENT OF BARRISTER BOND UNTIL AFTER THE FILING OF THIS SUIT.

D. Wilber Friend's Testimony is Not
 Impeached Nor False.

Plaintiff's brief repeatedly characterizes Wilber Friend's testimony as "preposterous stories" or "unbelievable", and his conduct as "heinous". Actually, most of the factual elements in the plaintiff's case concerning the businesses of H. A. Friend and Company and of the defendants have been supplied by Wilber Friend and relied on by plaintiff. There are two items of Wilber Friend's testimony, however, which plaintiff does not wish to have believed, namely, (1) that Harley Friend had been informed in the 1930's of Friend Paper Company being the proprietary business of Wilber Friend (Rt. 311), and (2) that Harley Friend had been informed in 1948 or 1949 of Wilber Friend's intention to go into business at retail on the west coast with the name Friend and Company (Rt. 341), and of passing the Friend and Company business card to his brothers (Rt. 389, 392). This is the only admissible testimony on this subject as William Friend's attempt to rebut it was mere opinion or hearsay. Plaintiff seeks to eliminate defendants' testimony by characterizing all his testimony as unbelievable. The particular and only testimony which the district judge referred to as "unbelievable" (p. 13 of plaintiff's brief) was opinion-type testimony and not concrete factual testimony. The testimony to which the judge's Memorandum alludes (Ct. 467) appears as follows (Rt. 54):

"Q. Did you have any general offices in the
Chicago area?

"A. I believe that would be a matter of personal

opinion. I did have some sort of an office in that area.

"Q. What was the nature of that office?

"A. The office that I had in my home that my son conducted for me, handling my mail and various duties that I asked him to do."

It is possible to differ with Wilber Friend's opinion as to what constitutes an office, but it is hardly possible to avoid the observation that in this testimony, as well as all other testimony, he did not evade or distort any of the underlying concrete facts. In Fleischmann Distilling Corp. v. Maier Brewing Co., 314 F.2d 149 (9 Cir. 1963), this Court said (at pp. 158-159):

"Mr. McCormick (McCormick On Evidence, Sec. 243) notes that by no means is every sort of testimony of a party to be treated as a conclusive or judicial admission. Among the exceptions noted are cases in which the testimony of the party is in the nature of an opinion. . . . The rule is inapplicable, moreover, 'when the party's testimony is an estimate or opinion rather than an assertion of concrete fact'."

E. The Witness Poole Was Impeached.

At p. 21 of its brief plaintiff refers to Melvin Poole's testimony that Wilber Friend "suggested" that he tell people that plaintiff and defendant were "one and the same" if they asked, and he himself did tell customers they were "one and the same" (Rt. 218). Mr.

Poole, a discharged former employee, was impeached in respect to this testimony that it was Wilber Friend's suggestion. At Rt. 226, line 14 to 228, line 6, he was asked to read his earlier deposition in which he gave the following testimony:

"Q. Did Mr. Friend give you any instructions on what to say in the event such a question was asked?

"A. No."

Following that last answer of his deposition he was asked at the trial (Rt. 228, line 3):

"Q. Is that your testimony now, Mr. Poole?

"A. Yes.

"Q. Do you wish to make an explanation?

"A. No explanation. Read further."

The further reading (in Rt. 228 and 229) clearly states that Mr. Poole took it upon himself to deceive the customers, well knowing the falsity of his statements to them.

Selling was not Mr. Poole's job at Friend and Company. He only did this selling on four occasions and at his own request. None of these four occasions was for more than one day excepting a two week trip (Rt. 236-237).

Mr. Poole's testimony that in doing this he ran into about 50 prospects who had been former customers of H. A. Friend and Company, and whom he told that plaintiff and defendant were one and the same (Rt. 235, 236) is phenomenal, considering that plaintiff's counsel during his travels through the western states for depositions on confusion, located far fewer than this, and Wilber

Friend could recollect only 5. Mr. Poole's testimony is a gross exaggeration.

SUMMARY

Many pages of plaintiff's brief are taken up with discussion of the relatively few confused customers and "heinous" conduct of defendant such as one or two instances where the defendant did not correct the customer's impression that defendant had the customer's die in Zion; and the format of the defendants' catalogs with reference to Zion. While they may not be laudable, the code of conduct involved is caveat emptor rather than a lawyer's code of ethics. Defendants submit that disproportionate weight should not be given to the approximately sixteen customers who indicated confusion. It is submitted that the excessive damages and attorney's fees awarded by the district court do not correspond with these few scattered instances.

When plaintiff's counsel agreed with the district judge's statement that Harley Friend had slept on his rights (quoted in Appendix "C"), he was stating in effect what Harley Friend had actually done, namely, lay the matter to rest knowing that Wilber was using the name Friend and Company, and knowing that only Gilbert Paper Company owned any exclusive rights in "Barrister Bond" (As Wilber knew also), and believing, correctly, that all the other trademarks were "free-marks" (as Wilber believed also). The only thing Harley may not have known was the format of the catalogs.

It is too late now for the present plaintiff to resurrect what Harley Friend had years ago knowingly and deliberately laid to rest.

Respectfully submitted,

ANGUS & MON

D. GORDON ANGUS

ROBERT M. ANGUS

Attorneys for Defendants-Appellants

APPENDIX A

APPENDIX A

"(15 U.S.C. 1126g) . Trade names or commercial names protected.

Trade names or commercial names of persons described in paragraph (b) of this section shall be protected without the obligation of filing or registration whether or not they form parts of marks. "

"(15 U.S.C. 1126h). Protection against Unfair Competition.

Any person designated in paragraph (b) of this section as entitled to the benefits and subject to the provisions of this Act shall be entitled to effective protection against unfair competition, and the remedies provided herein for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition. "

.....

Business and Professions Code §17500

" §17500. Making or disseminating untrue or misleading statement unlawful. It is unlawful for any person, firm, corporation or association, or any employee thereof with intent directly or indirectly to dispose of real or personal property or to perform services, professional or otherwise, or anything of any nature whatsoever or to

induce the public to enter into any obligation relating thereto, to make or disseminate or cause to be made or disseminated before the public in this State, in any newspaper or other publication, or any advertising device, or by public outcry or proclamation, or in any other manner or means whatever, any statement, concerning such real or personal property or services, professional or otherwise, or concerning any circumstance or matter of fact connected with the proposed performance or disposition thereof, which is untrue or misleading, and which is known, or which by the exercise of reasonable care should be known, to be untrue or misleading, or for any such person, firm, or corporation to so make or disseminate or cause to be so made or disseminated any such statement as part of a plan or scheme with the intent not to sell such personal property or services, professional or otherwise, so advertised at the price stated therein, or as so advertised."

.....

California Civil Code, /§3369. (Relief not granted to enforce penalty, forfeiture or penal law: Exceptions: Unfair competition enjoined: Definitions: Who may prosecute actions.)

3. [Definitions.] As used in this section, unfair competition shall mean and include unlawful, unfair or

fraudulent business practice and unfair, untrue or misleading advertising and any act denounced by Business and Professions Code Sections 15700 to 17535, inclusive.

APPENDIX B

APPENDIX B

In California Apparel Creators v. Wiedner of California, 162 F.2d 893 (2 Cir. 1947), the court held, at page 900:

"To recover damages or to receive protective relief against the actions of these defendants, plaintiffs must therefore show not only a representation by defendants which is false and deceitful in the sense of luring customers to their doors wrongfully, but also that plaintiffs have lost their own rightful custom thereby."

The court made the following pertinent statement (at page 901):

"It is nowhere claimed that there is, or will be, available any proof of specific customers diverted from specific plaintiffs through the actions of these defendants. The only possible suggestion of injury is by a strained process of inference, as by the suggested conclusion that the general effects of defendants' actions must have diverted customers from the plaintiffs.

"Here we are met with the direct difficulty found insurmountable by Justice Holmes in the Ely - Norris Safe Co. case, that there is no reason to assume that defendants' customers, deceived as to the place of origin, would otherwise have bought of these plaintiffs. Not only are these

plaintiffs a small portion of the total California manufacturers, but they do not even appear to be large manufacturers themselves or to control any considerable portion of the California business. The reasons which led the Supreme Court to dismiss the bill in that case on its allegations are therefore more pertinent here, where the limited extend of the plaintiffs' share of the total business definitely appears and is not merely a matter of inference, as there."

.....

In International Association of Cleaning and Dye House Workers v. Landowitz, 20 C.2d 418 (1942), the court, discussing Civil Code §3369, said (at pp.421 and 422);

"As used in that section, unfair competition means 'unfair of (sic) fraudulent business practice and unfair, untrue or misleading advertising ...' (Civ. Code, §3369 (3) .) Omitting the question of false advertising which is not involved in this case, the statutory definition of 'unfair competition' thus incorporated in Civil Code, §3369, is not essentially different from that which has historically furnished the basis for equity injunctions against unfair competition. Such injunctions were not directed against business practices like the ones involved here which, if unfair, are made so under special statute. Those actions

ordinarily involved the fraudulent passing off of one persons' goods as those of another. "

.....

In Show Management v. Hearst Publishing Co. , Inc., 196 CA 2nd. 606 (1961), the District Court of Appeals held, at page 615:

"While the American Washboard case has been criticized (see 1 Callmann, The Law of Unfair Competition and Trade-Marks [2d. ed.] §81. 1, pp. 298-300; Handler, False and Misleading Advertising, 39 Yale L. J. 22, 36-37), it appears to represent the view currently prevailing. Callmann states: 'Absent special legislation or evidence of disparagement or an intent to drive a competitor out of business, the Washboard decision has, with few modifications, remained the law of the land'. (1 Callmann, The Law of Unfair Competition and Trade-Marks [2d. ed.] §18. 1, p. 300; see 1 Nims, The Law of Unfair Competition and Trade-Marks [4th ed.] §9, p. 50.) In another place Callmann says: 'In the cases involving false advertising, however, the deception has been regarded as a tort only against the customer, and the competitor has been afforded no redress unless he was in a position to prove special damage. The courts have not as yet recognized that, as against the competitor, such

deception is another means of unfair competition and constitutes an independent tort. ' (Callmann, False Advertising as a Competitive Tort, 48 Colum.L.Rev. 876). "

APPENDIX C

APPENDIX C

Plaintiff's Answer to Interrogatory No. 3 filed

January 22, 1965. (Ct. 61-62)

"Total Sales of Plaintiff H. A. Friend and Company, Inc. and its predecessors in each of the calendar years 1940 through 1964 are unavailable. Said sales for those years, the fiscal year ending June 30, with exception of 1952, for which records are temporarily unavailable, are as follows:

1941	\$105, 283. 15
1942	108, 535. 75
1943	93, 384. 52
1944	103, 309. 23
1945	108, 928. 42
1946	166, 412. 90
1947	225, 735. 24
1948	223, 267. 44
1949	246, 984. 20
1950	274, 150. 12
1951	338, 796. 72
1952	
1953	357, 367. 63
1954	381, 397. 17

1955	\$413,663.05
1956	445,149.78
1957	461,545.67
1958	490,107.17
1959	529,283.31
1960	614,459.44
1961	626,248.37
1962	660,560.68
1963	691,978.54
1964	760,000.00

[From Answer to Int.
No. 5, ct. 325]

1965	840,000.00 " " "
------	------------------

Plaintiff's Answer to Interrogatory No. 4 filed January 22, 1965 regarding dollar value of its sales in the states of California, Nevada, Oregon, Washington, Idaho, Utah, Arizona, Montana, Wyoming, Colorado, New Mexico, the Western part of Texas, Alaska and Hawaii. (Ct. 62, 63)

"Sales by Plaintiff and its predecessors, in the above group of states, to the extent presently available from Plaintiff's records are as follows: (Most records prior to 1942 are unavailable because believed to have been lost in flooding of basement of H. A. Friend and Co. in 1942. Records after the first half of 1961 were not kept on a geographical basis and compilation would require individual checking of some 6,000 customer accounts).

1942	\$ 421.08	
1943	444.52	
1944	481.25	
1945	305.06	
1946	302.33	
1947	765.73	
1948	1,068.93	
1949	932.88	
1950	1,361.13	
1951	2,069.97	
1952	1,696.03	
1953	2,152.42	
1954	785.03	
1955	1,180.68	
1956	2,275.05	
1957	4,001.79	
1958	5,375.60	
1959	5,586.89	
1960	7,889.21	
1961	8,843.00	approx.
1962	8,843.00	"
1963	8,843.00	"
1964	8,843.00	"
1965	8,843.00	"

Extract from Plaintiff's Answer to Interrogatory No. 6
filed January 22, 1965 in regard to the number of customers
plaintiff had in each of the western states in each of the
calendar years 1940 through 1964. (Ct. 64)

"It is not possible to state, without consulting the various purchasers, in what specific years such purchasers were "customers". The purchasers of the products involved do not notify plaintiff or its predecessors when they change over to a new supplier or when an individual has died. Accordingly, in a good faith effort to answer defendant's interrogatory, plaintiff states that the geographical file for each listed state has account sheets for the number of individual accounts following the state set forth below in the years covered by such records, namely, 1943 through the first half of 1961.

<u>STATE</u>	<u>NUMBER OF ACCOUNTS</u>
Arizona	9
California	20
Colorado	13
Idaho	4
Montana	17
New Mexico	13
Nevada	1
Oregon	8
Texas	55

Utah	7
Washington	26
Wyoming	10''

EXHIBIT M.

GILBERT PAPER COMPANY

Menasha, Wisconsin

October 1, 1948

H. A. Friend Manufacturing Co.
Zion, Illinois

Attention: Mr. H. A. Friend

Dear Mr. Friend:

A short time back you expressed a desire to trace certain private watermarks which you have been purchasing through our distributor, the Friend Paper Company, and manufactured by the Gilbert Paper Company. Our records show three watermarks which you are now using and date prior to the time of their purchase through the Friend Paper Company. These marks are Security Parchment, Plymouth Bond and Barrister Bond.

You undoubtedly recall the circumstances under which these marks were obtained. The Security Parchment watermark was purchased by the Gilbert Paper Company from a New York individual, and the Barrister Bond mark was assigned to us by the Southworth Paper Company. The Plymouth Bond mark represented a spare dandy roll we had in the mill, but we never pursued the ownership of this watermark.

The Friend Paper Company has a number of other papers which we understood you purchased from them and which marks are exclusive to them in their territory. These watermarks are



EXHIBIT M. (Continued)

Friends Legal Linen, Title Linen Bond, Security Onionskin,
and Barrister Onionskin.

Inasmuch as you have been purchasing these watermarked
papers for a long period of time as made by the Gilbert Paper
Company, we sincerely trust we may continue to supply them
to you. Due to the presence of these same watermarks with the
Friend Paper Company it would be our distinct preference to see
a continuance of purchases through this source, which we assume
is highly desirable to you also.

Yours very truly,

GILBERT PAPER COMPANY
s/ J. D. Schmerein, Sales Depart-
ment

EXHIBIT M. (Continued)

GILBERT PAPER COMPANY

Menasha, Wisconsin

October 7, 1948

H. A. Friend and Company

Zion, Illinois

Attention: Mr. H. A. Friend

Dear Mr. Friend:

I think there is some confusion in your mind as to the status of the watermarks Barrister Bond, Plymouth Bond and Security Parchment. It is true that they represented watermarks that we had in the mill and were not employing to any great extent. All we did was to offer their use to you. They had not been registered by the Gilbert Paper Company and it was only to the best of our knowledge that no interference could occur in your usage of those names.

The copyright laws in the United States have always been very bad and all that was necessary for anyone to do to acquire ownership or prevent the use by another party was to show prior usage. We ourselves encountered that difficulty in our own Lancaster Bond when after five or six years of use we found a little printer in Maine had used that name and we were obliged to buy our mark from him. This party was very reasonable and did not try to hold us up as he might have done. We had another party using Equity Bond and we were forced to discontinue that mark

EXHIBIT M. (Continued)

when Butler proved that they had prior usage.

Now, on the Barrister the only reason we had Mr. Dempsey in the picture was to try and bring assistance to you and our hopes were to prove that we had a prior usage of this watermark over Southworth. We recognized that there was nothing we could do about it when Southworth proved usage prior to that of our own. Later on, with a small payment for registration charges, they were kind enough to assign their right to us.

Then a similar situation developed on the use of the word Security. We eventually bought rights on this mark from a paper merchant in New York City and I think that they had acquired rights from an eastern paper mill. Once again they interceded our use and once again we came to your assistance by paying at that time a sum of \$5,000.00.

The word Plymouth is recorded in Lockwood's Directory by a number of people but it has never come to a test case.

We do not pretend to be lawyers, but we have fought a good many battles over watermarks and inevitably it has hinged on that "prior usage" theory. There have been some recent changes, as you probably know, in the copyright laws, trying to bring about a little more just and clarified position.

As I recall the original proposition, you were given the use of those marks in Illinois and all of the states contiguous to Illinois. Later on as your son took over in a somewhat wider range, we tried to offer greater protection.

You say you cannot understand why a letter written by

EXHIBIT M. (Continued)

John Schmerein went forth, and we do not understand your irritation because you asked for the status of the marks, and the information that John provided he secured from the writer.

I am sure that you will agree that we have given you nothing but the fullest cooperation in the many years that you have bought our products from several different sources.

Yours very truly,

GILBERT PAPER COMPANY

s/ T. M. Gilbert, Vice President

EXHIBIT N.

April 19, 1949

H. A. Friend and Company,

Zion, Illinois

Attention: Mr. H. A. Friend

Dear Mr. Friend:

I am very glad that we had our meeting in Zion because it has clarified many points in the situation. We are now going to make our billings directly to H. A. Friend and Company and invoices on recent shipments have now gone forward to you.

The shipment of Barrister Onionskin that just went forward was made on the 75% Rag quality, but I have now issued instructions that all Barrister Onionskin in the future is to be manufactured in our all-rag or Lifetime quality.

I regret very much that it became necessary to sever all relationships between H. A. Friend & Company and the Friend Paper Company. We can understand now the necessity for this action and the only disturbing factor is that I am afraid we are going to have further difficulties with Web, particularly on the Barrister Bond, all of which arose out of our complete misunderstanding of the circumstances and the fact that you and Web are not in complete agreement and perfect accord. Although Web stated in your office that he would not hold forth on his right to Barrister Bond by purchase from us, he indicated to Johnny when you and I were going through your plant that he had other thoughts. He stated that he was committed on a very extensive



EXHIBIT N. (Continued)

advertising program, and I fear right now that he is going to try to make it very difficult for us to take the Barrister Bond back, even though there was a complete misunderstanding of facts and what eventually turned out to be a misrepresentation.

At any rate, we are now going to send him a check for \$400.00, stating that we cannot complete the assignment of the Barrister mark, and from that point on we will have to wait and see just what the developments are. It is certainly a very disagreeable and unfortunate set of events.

Yours very truly,

GILBERT PAPER COMPANY

TMG:

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H. A. FRIEND & COMPANY,

Zion, Illinois

April 20, 1949

Gilbert Paper Company

Menasha, Wisconsin

Attention of Mr. T. M. Gilbert

Gentlemen:

I received your letter this morning of April 19th, and it is very gratifying to know the position you have taken in this matter. I have not, for one moment, doubted the integrity or honesty of the Gilbert Paper Company in regard to any matter whatsoever, as they have always proven more than fair with me.

I can see from your letter that you have thoroughly grasped the whole situation, although it would be quite impossible for you to understand all of the things leading up to our disappointing situation. In regard to Web's position regarding the Barrister Bond watermark, I am sure you will find out this is all bluff.

My honest opinion is, he has no connections anywhere on Barrister Bond, either in the east or west; neither has he gone into any advertising that amounts to anything, only what he printed on our own presses, soliciting paper business, which we know all about. Owing to the fact that the other three watermarks appear to be free-marks, it would only be necessary for him to get an assignment on Barrister Bond, in order to put H. A. Friend &

EXHIBIT N. (Continued)

Company completely under his thumb, and this is the reason why he is so desperate over that mark. You see, I understand his line of deception and untruthfulness. In many respects, deception is far worse than out-right lying.

There is no doubt whatever but what H. A. Friend & Company has, and always has had, a very definite interest in the Barrister Bond watermark, because of the long periods of years they have distributed it unmolested.

I have not called Web's attention to the fact that as a partner in this partnership, he also had a very definite interest to the extent of the amount of his partnership holdings. Owing to the fact that I have bought that partnership interest, what interest he had now belongs to me, and legally he has no right whatever to use it, from the standpoint of H. A. Friend & Company, so therefore, should he start any trouble or try to sell paper marked Barrister Bond, I will immediately start suit against him for violating his sales contract. You having the legal right, can attack him from that standpoint, so I have no doubt whatever but what we can handle him in a first-class manner. I only trust that he has good sense and judgment enough not to interfere any further.

I am certainly glad you boys came down, because I am sure it helped me a great deal. With kindest regards, I am

Cordially yours,

H. A. FRIEND & COMPANY

s/ H. A. Friend

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EXHIBIT Q.

GILBERT PAPER COMPANY

Menasha, Wisconsin

October 13, 1955

Mr. H. A. Friend

H. A. Friend and Company

Zion, Illinois

Dear Harley:

When you were up at the mill we were talking about the watermark BARRISTER BOND. We had registered this watermark and the usage was given to you many years ago. Later a dispute on the ownership arose with the Wouthworth Paper Company and we now have in our possession an assignment of their rights, if they had any, to the Gilbert Paper Company. The watermark is presently registered under the Lanham Act and it is our intention to keep the watermark properly registered in terms of that Act.

On checking our records, I find that we have constructed two BARRISTER BOND dandies, both of which were paid for as to the entire cost by our company.

We can understand your worry and that of your sons in the fact that in years to come changes could occur wherein someone here might not recall the circumstances.

On our part, watermarks are very hard to come by these days, and if at any time in the future, which is not contemplated

EXHIBIT Q. (Continued)

at the moment at all, you should decide to give up that name we would like to utilize it at other points.

At one time we offered to you a proposition wherein you could acquire the rights to the watermark for the sum of \$300.00 as long as the business stays with the Gilbert Paper Company and that you could acquire full rights for the sum of \$600.00. This was to cover construction of the dandies, our payment to Southworth, the registration costs, etc. Our lawyer does not approve of the first principle and, frankly, we can see no reason why you should pay us \$600.00 as long as you have the usage of the roll along with this letter that we are now writing.

Thus, we say to you that we are now offering exclusive usage of our registered watermark BARRISTER BOND for an indefinite period of time and so long as the annual tonnage exceeds a figure of 25,000 pounds per year. Further, if disagreement should ever occur between our two companies, which it now seems almost impossible to conceive, we will offer to you an assignment and outright sale of the watermark BARRISTER BOND for the sum of \$600.00 plus any further expenses such as registration, requirement of a new roll, and so on, that could occur from the date of this writing.

This offer is made because of the very fine respect we hold for you and your company and our many long years of splendid relationship.

To avoid any possible loss of correspondence, it would seem well if this were renewed at least every ten years.

EXHIBIT Q. (Continued)

With this statement on our part you undoubtedly will prefer to carry on in the same fashion that we have over our long dealings in the past.

I was glad to see you looking so well and I now want to send best regards to you and your sons.

Very truly yours,

GILBERT PAPER COMPANY

s/ T. M. Gilbert, President

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EXHIBIT AF

April 3, 1957

H. A. Friend & Company

Zion, Illinois

Attention: Mr. W. F. Friend

Gentlemen:

We have your letter of March 29th in which you state that your file card on engraved stationery indicates that we have not purchased any stationery from you since February, 1951.

As I recall it, it was along about that time that we received a letter advising of the opening of an office at 55 West Green St., Pasadena, California, for the purpose of better enabling you to serve your west coast customers and suggesting that we enter our future orders through that office.

Since the Pasadena plant was opened we have been ordering all of our requirements from that plant.

In referring back to our files, I note that the name of the company in Pasadena is "Friend & Company" whereas your Zion firm is known as "H. A. Friend & Company". Perhaps we became confused in thinking the two companies were one and the same. Are we correct in assuming that the Pasadena firm is an affiliate of yours or a branch of your company?

Yours very truly,

LYCETTE, DIAMOND & SYLVES-
TER

By

EWZ:ad

EXHIBIT AG

H. A. FRIEND & COMPANY

Zion, Illinois

April 5, 1957

Lycette, Diamond & Sylvester, Attys.

Eighth Floor Hodge Bldg.

Seattle 4, Washington

Gentlemen:

We are in receipt of your nice letter of the 3rd, and are sorry to know any firm would follow such a line of duplicity, however, several other customers of ours on the coast write us in this same manner.

This boy is my oldest son and was connected with this business in Zion but now has no connections with H. A. FRIEND & COMPANY in any manner. In fact, I was compelled to expell him from this business because of his misconduct.

We greatly appreciate your letter giving us this information and assure you, you will never get anything from this office but truth and honesty.

We would be pleased to take care of your needs again if you so desire.

Cordially yours,

H. A. FRIEND AND COMPANY

s/ H. A. Friend

Plaintiff's Response to Request for Admissions Nos. 3-6

and 8, filed November 3, 1946.

Request 3: The particular year in which said visit was 1955.

Answer 3: Denied. Plaintiff states, however, that the said Howard Friend visited defendant Wilber H. Friend in the year 1956.

Request 4: When said Howard Friend first arrived at defendant's said place of business on the day of said visit he found that the defendant Wilber H. Friend was not in his office.

Answer 4: Admitted.

Request 5: Somewhat later on the same day of said first arrival, Howard Friend returned to the office of defendant and found the defendant was in his place of business.

Answer 5: Admitted.

Request 6: Upon finding the defendant to be present in his office, on said day, Howard Friend chatted with defendant, Wilber H. Friend, for a time within the premises of defendant's said place of business in Pasadena, California.

Answer 6: Admitted.

Request 8: The specific address of defendant's said place of business on the day of said visit was 55 West Green Street, Pasadena, California.

Answer 8: Admitted.

"THE COURT: Wouldn't we have to say, assuming that Mr. H. A. Friend did not know some of the things that the defendant was doing, that he was extremely trusting and somewhat derelict in not learning what was going on in the Friend & Company?

MR. BRIZINA: I would say that that is a very accurate statement. I don't know whether 'naive' is the right word.

THE COURT: You can understand an older man being naive, and particularly if it is his oldest son, but what about the younger brothers? Is the court supposed to conclude that all of these years he was operating the Friend Paper Company as his own private enterprise contrary to his fiduciary obligation, and that since 1949 he has been engaged in a competing business, all unbeknown to them? Weren't they asleep, too?

MR. BRIZINA: Yes.

THE COURT: There is such a thing as laches and sleeping on your rights, is there not?"

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"THE COURT: When you have active fraud, it tends to lengthen the time in which that can run along.

What about William's testimony that they actually didn't know of this activity in the retail trade until 1962?

MR. ANGUS: Well, I don't think that he is correct because, even if it is true that William doesn't know it, Howard certainly did.

THE COURT: What is the record that shows Mr. Howard did? Is he the one that came and visited?

MR. ANGUS: He walked through the door that said "Friend & Company".

THE COURT: "Wholesale Paper".

MR. ANGUS: Yes, but that format is precisely the format that the plaintiff H. A. Friend invented himself, and so therefore

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THE COURT: What do you mean? Oh, I see what you mean.

MR. ANGUS: The plaintiff's format is H. A. Friend & Company with "Wholesale Paper" under it, and then the address. Therefore, when Howard Friend walked in and saw that same format, it must have banged him in the eye, "Well, that means the same thing."

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Rt. 596-598

"MR. ANGUS: He said he gave his brother his card, his business card, Friend & Company.

THE COURT: I am willing to assume that his brothers were on notice that he was engaged in business as Friend & Company.

THE COURT: (continued) Howard may have seen it when he went through the door and he may not have. At least he was on notice that Wilber Friend was engaged in a business known as Friend & Company, Wholesale Paper, at least --

MR. ANGUS: Just like their sign, Wholesale Paper.

THE COURT: But I have no indication -- pull back. There is only one indication that I know of that his father or any of his brothers before 1962 had any knowledge that Wilber Friend was in the retail paper business and that he was passing his company off as somehow related to the H. A. Friend & Company, and that one illustration is that letter of 1957, I think it was, where his father said -- apologized and expressed his regret and made some rather unpleasant comments about Wilber, but apparently his father, as some fathers do, held that close to his chest and didn't pass it around the office anyway.

MR. ANGUS: And a year earlier Howard must have done the same thing, because he visited in 1956.

THE COURT: What?

MR. ANGUS: He held it in his chest that the defendant was doing business as Friend & Company.

THE COURT: He may have noticed the sign. On the other hand, sometimes he was glad to see his brother and maybe the door was open and he goes steaming through the door and doesn't necessarily read the thing --

MR. ANGUS: He went through it twice, your Honor.

THE COURT: I have already said that he was on notice.
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